

The following outline can be used to organize your business plan. Hopefully this will help minimize the time to organize the business plan and address the questions a banker wants to know.

A business, or strategic, plan helps you organize your business and establish goals and plans on paper, rather than in your head.

One of the real benefits of doing a business plan is the process of research and thinking about your business in a systematic way. Having the finished product in hand is certainly an important goal for some – especially those who will be taking the plan to a loan officer.

The act of planning helps you to think about your goals, products, markets, production practices and allows you to research new opportunities. It takes time now, but avoids costly, perhaps disastrous, mistakes later. The process of doing the plan can be used to set yearly goals and objectives to improve the business.

The business plan consists of a narrative and several financial spreadsheets. When you are through writing your first draft, you will have a collection of small essays on the various topics of the business plan. Then you will want to edit them into a smooth flowing narrative.

It typically takes several months to complete a good plan. Most of that time is spent in research and re-thinking your ideas and assumptions. So, make time to do the job properly. Those who do never regret the effort. And finally, be sure to keep detailed notes on your sources of information and the assumptions underlying your financial data.

Steps to completing the plan:

1. Gather the information for your Current Balance Sheets (listing of assets and liabilities).
2. Gather the information on historical financial performance for the past three years.
3. Describe your business, products and agricultural sector.
4. Describe who runs your business, their skills and experience.
5. Describe your vision, goals, and objectives.
6. Assess your resources for moving your business forward and what more you will need to meet your new goals, including market research, new equipment, personnel, or money.
7. Describe your current and future products. Figure out the costs to produce them.
8. Describe your current and future markets and target customers. Figure out what will encourage them to purchase your products.
9. Evaluate your competition and your competitive advantage.
10. Develop your advertising and promotional activities and put a cost to them.
11. Describe any production practices and the changes you will need/want to make, including costs.
- 12. Financially evaluate your ideas fully, making sure to focus on increased costs and increased income (partial budgets are useful here). Write out any assumptions you make!**
13. Test your ideas for risks or worst-case scenarios (Using computer spreadsheets is useful here). Again, write out any assumptions you use in the analysis.
14. Finalize a realistic new budget (cash flow) for the next three years, complete profit and loss statements for the next three years, and a projected balance sheet (hiring an accounting firm or someone who understands how to put these together for you is useful here).
15. Write a section on how you want to exit/leave/transfer the business in the future.
16. Fill in the sections on advisors, suppliers, production practices and other sections not completed yet.
17. Write the executive summary and then the cover letter.

Cover Letter

The purpose of the cover letter is to introduce yourself to the bank, explain very simply why the plan is being presented and what financing the farm needs.

If applying for a loan, state clearly:

- how much money you need,
- how you are going to use it, and
- how the money will make your business more profitable, thereby ensuring repayment.

Optionally, you can explain the type of business you are in, what is (are) your major product(s), who are your customers, and what do you think the future holds for your business and your industry?

Make it enthusiastic, professional, complete and concise.

We suggest you make it 2 pages or less.

THE COVER

Make it professional. It is the first thing the banker sees besides the cover letter.

Business Plan
Business Name

and

Graphic (Logo or Picture)

OWNERS

Business name: Farm Name
Address: Address Line 1
Address Line 2
City, ST 22222

Telephone: 222-333-4444
Fax: 111-222-3333
Email: xyz@example.com
Website Address (if available)

Confidentiality Statement

Example:

“This business plan has been submitted on a confidential basis solely for the benefit of bank personnel in connection with a loan request and is not for use by any other persons. Neither may it be reproduced, stored, or copied in any form. By accepting delivery of this plan, the recipient agrees to return this copy to the company at the address listed above if the recipient does not undertake to approve the loan. Do not fax, reproduce, or distribute without permission.”

You can get a number of sample confidentiality statements from SBDC counselors and tailor them to your needs. Make sure the ideas, financials and use of the plan is limited to those needing to review the document and also do not allow any photocopying without prior approval.

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Executive Summary

Write this last.

This is a summary of THE PLAN and your ideas (as opposed to a summary of THE FARM).

What are the highlights of your plan? Summarize each section in either one sentence or a short paragraph.

Again, write this last.

General Farm Business Description

Vision/Mission Statement

- Why are you farming? Explain your reason for being in farming and what you would like to see this business become in the long run.
- Ask yourself what are the principles/values that keep you wanting to farm.

Farm Business Description

- Name the farm.
- Describe the form of ownership. Are you a Sole Proprietor, Partnership, Corporation, Limited Liability Corporation (LLC), or other? Add your Federal ID tax number and SIC Code number.
- How many years has the farm been around, and how many years have you been farming?
- What type of farm are you? What products do you sell and what services do you offer? To whom do you sell your products/services?

Brief Sector Profile and Trends

- Describe your agricultural sector briefly. (For example, “organic dairy,” “wholesale berries,” “mixed vegetables,” “perennials,” etc.) Is it a growing, stable, or declining sector?
- What trends do you foresee in your sector, and how is your farm business poised to take advantage of them?
- If you are exploring a new enterprise, describe that sector, its trends, and why you feel it is a good enterprise to enter. If you are diversifying, describe why.
- What outside influences could impact your business and industry? Examples include: change in technology, government regulations, changing economy, and competition.

Goals

- List the goals you want to achieve to meet your long-term Vision/Mission for the farm.

The goals are a **series of outcome statements** describing what you want to reach in the next 1-5 years. They differ from a vision statement by degree of time. The vision is the long run outcome for the *whole* business, based on your values. The goals are shorter term for *parts* of the business, with monetary outcomes attached.

What do you want to change about your business? Do you want to...

- cut costs?
- increase efficiencies?
- expand the business in product and/or dollar sales?
- develop new products?
- developing new/expanded markets?

...By how much?

If you like, each statement can be a bullet stating the goal to be reached and the monetary value.

EXAMPLE

Our goals are to:

- *Reduce our syrup bottling time by at least 30% so that we can devote that time to expanding our taps, resulting in increased production for our new value-added products.*
- *Develop and launch at least one new value-added product per year for 3 years so that we can realize X dollars more profits for our syrup (and reduce our dependence on the bulk market).*
- *Develop and launch an Internet commerce site so we can shift X dollars of distribution costs to the consumer gift market (and reduce our distributor fees and our time on the road delivering).*
- *We also aim to increase our customer base by about 30% each year, generating X more dollars of sales, mostly via the website.*

Objectives

Objectives are the **step-by-step actions** needed to reach each goal. These also have outcomes for a short period of time. Bulleted objectives are best, with timeframes, costs, and outcome measurements.

- *“To reduce our syrup bottling time we need to purchase and install XXX...”*
- *“To develop value-added products, we need to purchase, test, XXX...”*

Growth and Exit Strategy

How would you like to exit or retire from the farm business? Would you like to “work ‘til you drop” and let the will take care of dispersal? Continue your growth and transfer a vibrant business to family members? (Describe those family members’ interest here.) Or, would you like to eventually sell the business?

The Marketing Plan

- The marketing plan outlines your **products** and **services**, your **customers**, **target markets** and **sales goals** for each of those markets.
- It also includes your **distribution** network, **promotion** and **advertising** plan, and an analysis of your **competition**.
- Be as specific as possible; give statistics, numbers and sources. The marketing plan will be the basis, later on, of the all-important sales projection.

Products and Services

Current Products and Services

- **List the products or services.** (Sales brochures, drawings, photos, and/or other bulky items belong in the Appendix).
- For each product describe the most important **features**. That is, what does the product do? What is special about it?
- Now, for each product describe its **benefits**. That is, what does the product do *for the customer*?
 - A small local dairy produces milk, butter, and yogurt. **Features** of these products might be “fresh,” “wholesome,” or “produced by a local family.” Each feature should have a corresponding **benefit**, such as “better taste,” “more nutritious,” “connection to neighbors,” or “brings back memories of traditional farms.”
 - Or, a **feature** of vegetables from a local farm might be “unusual varieties” and the **benefit** might be “appealing to those who like to try new flavors in their cooking”.
- Do you supply any **services beyond the sale** of the product? For example: delivery, follow-up, recycling of packaging, or refund policy.
- Describe your **pricing** structure. A table format is helpful, showing retail and wholesale prices.

Future Products and Services

List future products and services, anticipated pricing levels, features and benefits. If you are planning to jump into a new set of products or enterprise(s), then you need to have a section describing these new opportunities. Place any market research data into an appendix.

Keep good notes on sources of market data and assumptions.

The Market

In this section, your job is to show the reader that you:

- have real live customers, and
- are certain that your customers are satisfied and are likely to continue buying, or
- are certain that you will find enough new customers
- **If you are planning to expand or change what you are doing, how do you know that you have enough customers to support you? *Something* must have led you to be hopeful about your plans. Describe it here as well as general trends you see that support the expansion.**

Current Markets

- **List who** you currently sell to:
 - Customers directly from the farm?
 - Buying group members (such as CSAs)?
 - Processors (such as the bulk milk truck or a blueberry cooperative)?
 - Stores that retail your product as is (such as whole chickens or value added foods)?
 - Other farms or businesses that use your product as an ingredient (landscapers who use your plants or compost, bakers who use your fruit, weavers who use your fiber)?
- **How much** do you sell to each of your customers? (i.e. “We sell about 30% of our chickens direct to customers, about 30% at our farmers markets, and about 40% to our wholesale accounts.”)

Customer Profiles

Describe WHO are these customers and businesses. For many farmers in Maine, this section is comprised mostly of **background data** and **anecdotes from your own sales experience**.

WHY BOTHER? This information helps you determine whether the profile of your typical customer *actually matches* the profile of people in your sales area – which tells you how far you need to go to sell your product (i.e. hit a new farmers’ market, launch a website, add a store...). It also helps you decide where to advertise and helps you develop new products for this customer.

- **Background data** (such as demographics on your customers or general trends in your sector) will help prove your case – to yourself and to the reader. Demographics & customer profiles prove that you are tuned in to the needs of your customers. Describe (in general) the age, gender, income, philosophical values, and geographic location of your customers.

- **Anecdotes from your own experience:** might include positive comments from customers, stories about customers who drive out of their way to get your product, or customers who make a point of supporting local farmers in the face of more convenient choices.

Future Markets

- **Describe general trends you see in the market,** i.e. “Several chefs that we have talked to tell us that local foods are important to their customers.”
- List your market outlets and write profiles as above, thinking in terms of who you PLAN to sell to.

Distribution

Describe how your product gets (or will get) to these customers.

Sales Forecasts and Strategies

This section is critical if you are going to present it to funding sources.

1. What are your **sales forecasts** for the next 2-3 years, in quantities and/or percentages, for each market outlet?

- “We expect to sell 20 CSA shares this year, 30 the following year, and 40 the following year.”
- “We expect to host 30 school tours this fall and 50 next year.”
- “We expect to sell X lbs. of apples this year via our u-pick orchard and X lbs. next year.”

You will likely find that these forecasts are similar to your overall goals for the farm business, and that this section backs up, in words, the data you’ll show in your financial projections. You may wish to do two forecasts:

- a) a "best guess", which is what you really expect based on your instinct, experience, and research, and
- b) a "worst case" low estimate that you are confident you can reach no matter what happens.

2. **Compare the forecast to your sales history**, explaining the major differences between past and projected sales. (i.e. “The growth in projected sales will come primarily from the new roadside location and expanded retail area of our farm store.”)

Promotion Plan

- How do you get the word out to customers in each market segment?
- How did you decide on each promotional strategy?
- If increasing your promotional efforts is a major goal, then make a table or bullet outline of your plan, listing specific tasks, dates, costs, and expected impact.

Competitive Analysis

What products and other businesses compete with you? List your major competitors:

- Names and towns.
- Do they compete with you across the board, or just for certain products, or certain customers, or in certain locations?
- Compare your products/services with competition: What factors give you competitive advantages or disadvantages? For example: level of quality, or unique or proprietary features.
- Compare your prices with those of your competition. Are they higher, lower, the same? Why? How important is price as a competitive factor?

If you like, you can use the table called *Competitive Analysis* below to compare your farm with several of your most important competitors. You can customize this table to meet your unique situation.

- How do you think you stack up in customers' minds? How do your competitors stack up?

Sometimes it is hard to analyze our own weaknesses, and our competitors' strengths. Try to be honest. Better yet, get some disinterested strangers to assess you. This can be a real eye-opener.

Competitive Analysis

	Me	Competitor A	Competitor B	Competitor C	Importance to Customer
Convenience					
Price					
Quality					
Selection					
Service					
Reliability					
Stability					
Expertise					
Business Reputation					
Location					
Appearance					
Sales Methods					
Image					
Other					
Other					

Competitive Advantage

Write a summary paragraph explaining what you offer that your competitors don't, and why that is important to your customers.

The Management Plan

Current Management and Experience

- Who manages the farm and business on a day-to-day basis? (In most cases, this is the farm owners and family.)
- What experience do these people bring to the business? Any special or distinctive skills?

Other Personnel

Who are your other key employees?

- If you have key individuals who are jacks-of-all-trades, try to describe what they do and what they bring to the business. (Example: a brother who is a relief milker, tractor repairman, delivery driver, and field maintenance manager, or an apprentice who oversees the greenhouses and runs the farmstand.) How is he or she compensated?
- If you have positions that are filled by different people seasonally, describe the job itself and who generally does it. (Example: field picker, usually filled by local high school students.)
- Explain the pay structure for each position.
- If you have official written descriptions for each job or an employee handbook, you can attach them in the appendix if you choose.

Professional and Advisory Support

List who else works with you on an ongoing basis. For example:

- | | |
|--------------------|----------------------------------|
| • Attorney | • Bankers |
| • Bookkeepers | • Products consultants |
| • Accountants | • Resource conservation agents |
| • Insurance agents | • Other mentors and key advisors |

The Production/Operational Plan

- *The key here is to explain the operations that are critical to the farm and any operations that may change in the future.*
- Explain the daily operation of the business, its location, equipment, people, processes, and surrounding environment.
- Describe why and how you will make changes in operations. If you are improving efficiency, how? If you are expanding production, how?

Location and Physical Resources

- Describe locations of production, sales, storage areas, and buildings.
- What are your business hours?
- Include a drawing or layout of your proposed facility if you are trying for an expansion loan.

Production Process

- How and where are your products/services produced?
Example: “We rotationally graze X cows on X acres of pasture. We also purchase hay once or twice per year and grain on a weekly basis. We move the cows to a new grass area every X hours. After the daily milking, milk is stored in a bulk tank...Because of the layout of our barn, we find that XXX is a challenge, and we have determined that we need to replace the current system with XXX to solve the problem...”etc.

Inventory (if applicable)

Do you keep any inventory? (Raw materials, supplies, finished goods?) If so, what is the rate of turnover and how does this compares to your industry averages?

Legal Issues

Describe the following as they impact your business:

- Licensing requirements
- Permits
- Health, workplace or environmental regulations, licenses
- Special regulations covering your industry or profession
- Zoning or building code requirements
- Insurance coverage
- Trademarks, copyrights, or patents (pending, existing, or purchased)

Suppliers

Who are your suppliers? (For example, grain, compost, other farmers providing raw materials, etc.)

- Names and locations
- Describe any problems you foresee (such as shortages, delivery issues, or fluctuating costs) and how you would overcome them.

Credit Policies, if applicable

Banks typically like to know how you handle receivables and payables. Do you have a large amount of outstanding receivables? Do you retail anything on consignment?

Risk Management

It is important to communicate to the reader (and especially a lender) that you have considered the potential risks to your business, and that you have a plan of action for them. **List your risks (market prices, weather, injury, etc.) and your management strategies to avoid/deal with them.** For example,

- Low or unstable prices
 - Drought or flood
 - Pests and pest control
 - Slow consumer acceptance, high shipping costs (of inputs or outputs), etc.
- Continuation of the business if key personnel are lost or incapacitated

Financial Information

Sources and Uses of Funds

Expansion or Startup Expenses: If you are planning a major expansion or startup with heavy up-front and capital expenses, this will help you budget the one-time costs associated with expansion.

Describe what you need for cash, either for capital improvements or operating expenses, and who would provide those funds. This is the place to show how you propose to use your loan funds.

Example:

Uses of Funds

Additional Orchard Land	\$57,000
New Apple Storage Facility	
Construction of room	\$13,000
Air control system	\$4,500
Other equipment	\$7,200
TOTAL:	\$81,700

Sources of Funds

Bank Loan 1	\$20,425
Bank Loan 2	\$35,775
In-kind labor*	\$9,500
Apple Storage Grant	\$5,000
Personal resources	\$11,000
Bank loan	
TOTAL:	\$81,700

Financial Information

Explain the following here, put the financials either here after the explanation or in the appendix.

Current Personal Balance Sheet

What you own vs. what you owe. This often includes the family house, furnishings, vehicles, stocks/bonds, credit card debt, personal loans, school loans, etc. Tell us what your equity is that you have available for collateral.

Household Income and Expenses Sheet

Do not include farm expenses. If you have no other income, then the household income amount is the same as “Owner’s Draw” (or equivalent) on the farm cash flow sheet. If there is another family business income, or off-farm employment, show how these incomes and the farm income all contribute to the family’s living expenses.

Farm Business Balance Sheet: Current

Again, what you owe vs. what you own, for your farmland, farm buildings, farm vehicles and equipment, and farm debt. Show what you have for collateral for a loan.

Cash Flow Projections

The cash flow projection is a forward look at your farm business checking account. For each item, determine **when you actually expect to receive cash** (for sales) or **when you will actually have to make a payment** (for expense items). For 3 years (you should be showing positive cash flow within 3 years). Only the first year needs to show monthly cash flow; the 2nd and 3rd year can show quarterly cash flow.

Your cash flow will show you whether your working capital is adequate. Clearly, if your cash on hand goes negative, you will need more. It will show when and how much you need to borrow.

Assumptions for Cash Flow Projections

Explain the major assumptions used to estimate farm business income and expenses. Remember that your sales projections should reflect the **Sales Forecast** in the **Marketing Plan**. You can list these as notes at the bottom of the spreadsheet or as a separate page following the spreadsheet. These assumptions reveal how you came to assign numbers to each item. See examples in section below.

Examples:

- “For delivery, we figured X gallons of fuel per year at \$2.20 per gallon.”

- “Because the pigs use approximately 25% of barn, we assigned 25 % of our electric bill to the pork operation.”
- “We determined our farm store gross sales based on the following formula:
Approximately 15 customers per day spending \$X and approximately 10 customers per day spending \$X, 6 days per week, for 10 weeks...”etc.

This might sound overwhelming but it is actually not so painful and will be invaluable later.

Profit and Loss: Historical and Projections

Profit and Loss Statement for 3 years minimum. In most farm businesses, this is simply an annual income/expense sheet for the farm business that also includes depreciation.

If you have a diversified set of enterprises, you may wish to condense the income and expense information for each enterprise rather than list the same detail that you do on the cash flow projections.

Sensitivity Analysis:

Enterprise budgets showing further detail, best-to-worst case scenarios, tests of your assumptions, etc. These will vary by enterprise. Test assumptions for the most likely variable that would impact that profitability (for example, price or quantity.)

Debt Schedule

A table showing in-depth debt payment information that the financial statements themselves do not usually provide. May include: To Whom Payable, Original Amount, Original Date, Present Balance, Interest Rate, Maturity Date, Monthly Payment, Securities, Current/Past Due

Appendix of Farm Specific Information

If you want to add some additional materials to your business plan to make it more complete and attractive to a Banker, add the following in appendixes.

- Brochures & advertising materials
- Blueprints & plans
- Maps & photos of location
- Magazine or other articles about your farm
- Detailed lists of equipment owned or to be purchased
- Copies of leases & contracts
- Cost estimates for proposed improvements.
- Letters of support from future customers
- Any other materials needed to support the assumptions in this plan